



Briefly Stated



California Charter Oversight: Key Elements and Actual Costs

CRB Report 12-001 on Charter Schools is available at <http://www.library.ca.gov/crb/12/12-001.pdf>

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Charter school performance and compliance is overseen by authorizers. In California, most authorizers are school districts, but also may be county offices of education or the State Board of Education. Authorizers are statutorily required to review a charter school to ensure that the school is meeting minimal academic requirements and is fiscally sound. In exchange for performing oversight activities, charter authorizers are reimbursed with either one percent or three percent of a school's general fund, based on whether or not the authorizer provides "substantially rent-free" facilities to the school.

The Legislature mandated the California Research Bureau (CRB) explore known best practices for charter school authorizers and survey California authorizers about their practices and costs.

Additionally, the Legislature mandated CRB provide an analysis of current reimbursement for charter school oversight and include suggestions for improving oversight in California (SB537 (Simitian), Ch. 650, Stats. of 2007). This *Briefly Stated* summarizes our findings.

BEST PRACTICES

Best practices generally are those that provide superior outcomes for a task or process in a variety of contexts. Professionally-accepted standards are a set of practices considered to be consistent with those that any knowledgeable, prudent practitioner in the field would utilize but which have not necessarily been demonstrated to produce superior outcomes. Evidence based practices are practices empirically demonstrated (e.g., through randomized clinical trials) to produce a statistically superior outcome for a specific practice or procedure.

As defined, charter authorization does not presently have a set of best practices or evidence based practices. It does have a set of professionally-accepted standards. These standards include practices that increase transparency; use data-driven decision making; use multiple measures for evaluation; develop a highly-trained staff; and allow the charter school to retain a high level of autonomy.

THE STUDY

CRB conducted an electronic survey of all charter authorizers operating schools during the 2007-08 school year. The survey consisted of 28 questions about the activities and costs of charter authorizers. Of the 261 California

authorizers in 2008, 72 responded (28 percent). We analyzed the respondent sample and found it was statistically representative of the larger authorizer population, which allows us to generalize what we know about the sample to the whole population.

Key Findings

- ◊ The authorization process lacks transparency.
- ◊ Authorizers differ in both their oversight activities and the reported costs incurred for these activities.
- ◊ Most authorizers do not account for staff time or oversight costs.

Variation in Activities and Costs

First, CRB surveyed authorizers about the types of activities they performed. We included both statutorily-mandated and optional activities. While many authorizers performed both statutory and optional activities as part of oversight, others reported they did not complete the basic statutory requirements. Figures 1 and 2 illustrate the percentage of authorizers reporting they provide a specified activity to their charter schools.

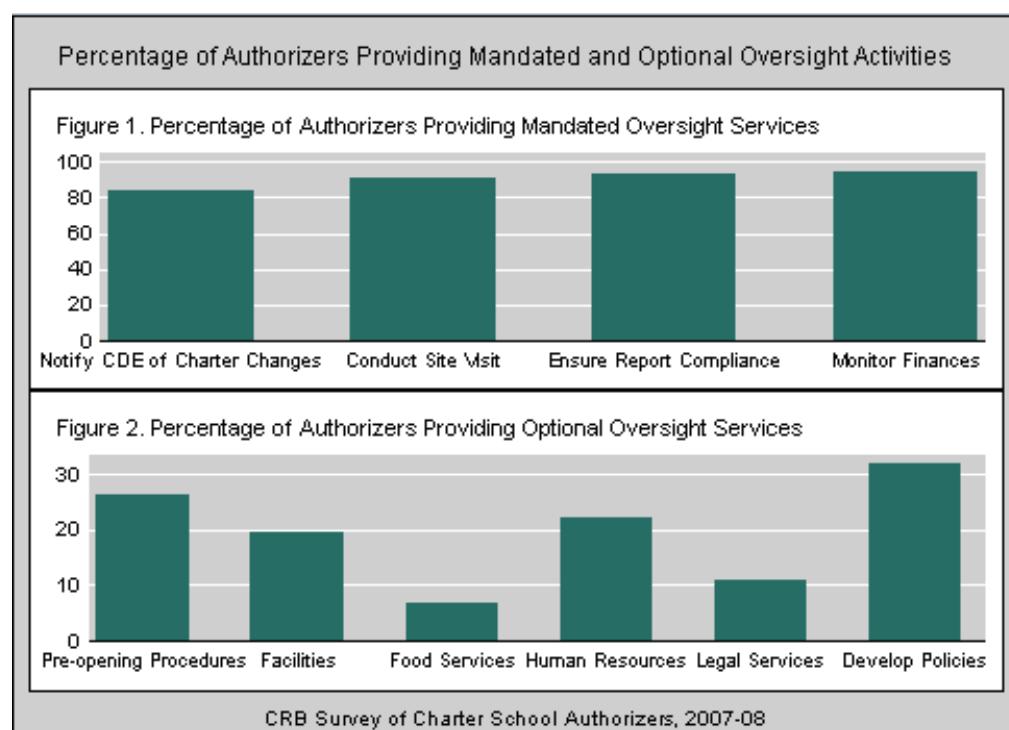
Second, CRB used the cost of petition review as a proxy measure for oversight costs. Petition review was the one activity for which authorizers consistently were able to provide

information on time and cost. While petition review does not cover the full range of oversight activities, the information on time and costs provide a basement-level measurement for resources needed for oversight.

CRB queried authorizers about the costs incurred for their most recent petition review. Authorizers reported a range from \$0 to \$112,500 for the review. Staff hours also varied widely: 0-560. The average cost for a single petition review was approximately \$12,700 and the average number of hours for a review was approximately 92, but reported costs were not strongly correlated with reported staff hours. Figure 3 provides a visual illustration of the lack of relationship between staff hours and costs of petition review.

Transparency

Third, we reviewed California authorizer use of certain accepted professional standards. The National Association of Charter School Authorizers (NACSA) and other professional organizations advocate for activities that increase transparency. Publishing requirements for charter school application evaluations and engaging in routine communication with parents about the performance of charter schools

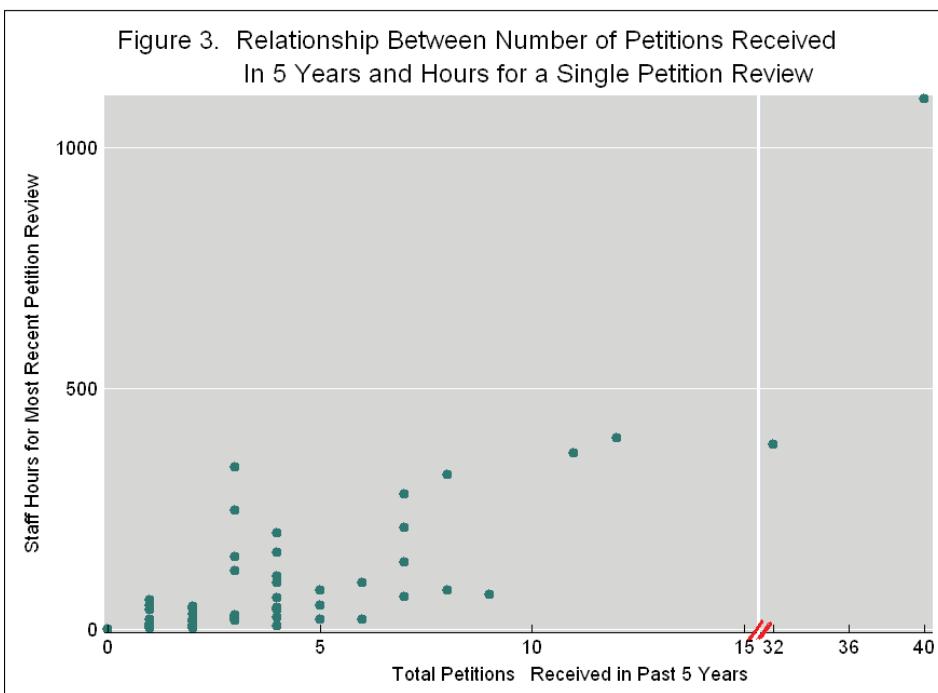


are examples of such behaviors. Additionally, several states have passed laws that increase transparency for charter authorizers. For example, Colorado requires that school districts publish their budgets and information on their payments to vendors in a downloadable and searchable format on the Internet.

California lacks similar provisions encouraging transparency for its authorizers. While school districts are overseen by state agencies, no specific regulations for their charter authorization activities have been enacted. School districts do not have to report out the amount they spend on authorization activities, nor do they have to separate out the revenues they receive from oversight reimbursement funds in their accounting. County offices of education and the State Board of Education have their own set of oversight agencies. Nonetheless, they do not have to account for specific oversight costs.

Accountability

Fourth, we questioned charter authorizers about their expenses compared to revenues for authorizing activities. Eighty-four percent of authorizers were able to provide CRB with an expense to revenue ratio estimate. Fifty-seven percent reported they incurred greater expenses than they received in reimbursement funds and 22 percent reported they broke even. However, when asked to report actual expenses incurred from charter authorizing activities, only 11 authorizers were able to provide CRB with a dollar figure. Additionally, when we asked authorizers if they had a set of established



categories for classifying authorizing expenses, 56 percent did not and 20 percent reported not knowing if such classifications existed.

Under the current system, if an authorizer classifies an activity as “oversight,” it may legitimately charge a charter school for the activity as long as the charges remain under the cap of one percent or three percent of the school’s general fund. Authorizers not only reported charging charter schools for activities listed as oversight in the Education Code section 47613, but they were also charging for non-specified activities. The non-specified activities included food services, legal services, and building maintenance.

Multiple Metrics

Use of multiple metrics to evaluate the success of a charter school is a second professionally-accepted standard. Currently in California, results from standardized tests are the basis for performance evaluation. Recommendations by four key professional organizations for authorizers encourage using more varied measures. These measures include standardized test scores as well as peer reviews, parental surveys, teacher value added scores, amongst other quality measurement methods.

CONCLUSIONS

We find that authorizers are not properly incentivized to provide adequate oversight. While authorizing bodies are empowered by the Legislature with a large number of oversight rights, authorizers are not using their full battery of oversight powers. Authorizers may currently claim full reimbursement for oversight without having to account for their activities and without penalty for a failing charter school. These are disincentives for charter authorizers to invest time and money in exercising full oversight authority.

CRB was directed by the Legislature to evaluate the current funding levels for authorizers to determine if authorizers were receiving adequate reimbursement. The lack of transparency limited our ability to answer this question. We were able to determine that most authorizers received sufficient funding under the current formula to cover the cost of petition review. Additionally, we were able to determine that at the one percent reimbursement formula, most authorizers were underfunded compared to national averages, while at the three percent formula, most authorizers were overfunded. However, we were unable to determine a specific dollar amount or percentage that would be sufficient for funding *all* oversight costs.

RECOMMENDATIONS

CRB was asked to provide recommendations for improving charter school oversight. We have four key recommendations.

1) Increase charter school transparency.

Currently, charter schools are supposed to be held accountable to the performance standards set forth in their charter or petition. In California, these documents are not always available to the public. In order to determine if an authorizer is appropriately holding a

charter school accountable, members of the public need access to the charter. We encourage the Legislature to require that all charter schools make their charter or petition available to the public.

- 2) Determine what oversight activities the state should pay for.** Authorizers have significant leeway in determining which oversight activities they charge the state for. The state is currently being charged for everything from financial oversight to food services under the heading “oversight.” The Legislature may wish to limit what activities are reimbursable out of this fund. Other activities may be paid for through alternative means, such as fee-for-service agreements between authorizers and schools.
- 3) Require accounting for Education Code section 47613 funds.** These funds are set aside to reimburse charter authorizers for oversight activities. Currently, authorizers may claim these funds without providing evidence that they have actually spent the money on relevant activities. We recommend the Legislature require some sort of accounting for these funds.
- 4) Encourage the use of multiple metrics.** Current professionally-accepted standards emphasize the use of multiple metrics to evaluate charter school performance. These metrics include both nontraditional measures, such as teacher peer evaluations, and more traditional measures, such as standardized test scores. To critically evaluate the performance of charter schools in California, authorizers need to develop and use both types of measures.